

Assessing the Competitiveness of New Hampshire's Health Care Markets: *A Focus on Hospitals*

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Outline of Presentation

- Goals of Study
- Summary of Findings
- Implications for State Policy

Goals of Study

- To determine the competitiveness of the NH health care markets
- To evaluate the impact of the competitiveness on provider and insurer performance
- To develop an information system to monitor and evaluate the competitiveness of the state's health care markets over time

Summary of Findings

- Structure of Hospital Markets
- Conduct of Hospitals
- Performance of Hospitals
- Putting It All Together

Findings: *Structure*

- Most hospital markets in NH are geographically small and non-overlapping with low population densities
- Most hospital markets in NH are concentrated in a single provider
- Hospitals' concentrated market positions have remained steady over time

Findings: *Structure (cont.)*

- Hospital markets in less populated areas are more concentrated than those in urban areas
- Seacoast and Southeastern Regions have more providers, but same level of concentration
- Outpatient markets are more concentrated than inpatient markets
- Primary care markets are more concentrated than secondary and tertiary care markets

Findings: *Structure (cont.)*

- Most hospitals are not-for-profit entities
- Most hospitals are small community-based, non-teaching facilities
- Many hospitals have large outpatient volumes relative to inpatient volume
- Many hospitals exhibit low occupancy rates
- Managed care penetration remains relatively low

Findings: *Conduct*

- Hospitals have entered into a variety of horizontal and vertical linkages with other providers
- Hospitals have avoided discounts and cost sharing arrangements associated with managed care
- Hospitals use positive operating margins from private payers to subsidize charity care and public payers

Findings: *Performance*

- Most hospitals appear to be cost efficient
- Average net revenues appear to be on par with those in northern New England
- Hospitals are generating positive operating margins from private payers and negative operating margins from public payers
- Hospitals are generating large total margins from savings
- Hospitals are not overly financially burdened by free care

Findings: *Putting It All Together*

- Most hospitals are behaving like non-profits, cross-subsidizing public payers and uninsured with higher markups on private payers, but not as high as if they acted like strict for-profits
- Hospitals do not appear to be engaging in a 'medical arms race,' but rather are triaging patients to regional care centers in an efficient manner

Findings: *Putting It All Together* (cont.)

- Hospitals have sufficient net revenues to support more charity care, though demand for charity care varies across hospital markets
- Hospitals could reduce markups to private payers without risking provision of free care or exiting market through bankruptcy

Implications for Policy

- Pursuing social and private objectives through **private sector**
 - ◆ Increased 'supply-side' competition through new hospitals, new services in existing hospitals, or ASCs
 - ◆ Increased 'demand-side' competition through managed care
- Pursuing social and private objectives through **public sector**